



Excise Tax Advisory

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NUMBER: 564.12.113 *Repealed June 30, 2000*

CONVERSION DATE: July 1, 1998

RETAIL SALES/USE TAX - OAK BARRELS USED BY WINERIES AND WINEMAKERS.

Issued: December 1, 1993

Repealed June 30, 2000

This Excise Tax Bulletin represents a change of the Department's position on the application of retail sales and use tax to the sales of oak barrels to wineries and winemakers who use oak barrels to impart oak flavoring to their wines.

The Department has considered whether sales of oak barrels used to impart an oak flavor to the wine are included in the definition of retail sales (RCW 82.04.050). Only that portion of the sales price representing the value of the barrel as a storage device is subject to the tax.

Oak barrels are used not only as storage containers for wine but also because the oak imparts an oak flavor to wine. Storing the wine and exposing it to the oak staves of the barrel for a set period of time, normally measured in years, is known as "aging." The exposure of the wine to the oak is what achieves the creation of an oak flavored wine. Allowing wine to age in another type of container, such as a steel or aluminum vat, does not achieve the same result as storing it in oak.

The oak used to age wines varies in quality dependent on the origination of the wood used in the manufacture of the barrel. Approximately two-thirds of the barrels in use in Washington state are French oak. The balance are American oak. French oak is significantly more expensive than American oak. The useful life of oak barrels is from three to six years, but the ability of the barrel to impart the desired flavor is substantially reduced after two years. A spent barrel can be used as a storage container but can no longer flavor wine.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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The retail sales or use tax applies to the barrels at the time of purchase or first use within the state of the barrel. However, in the case of oak barrels used to flavor wine, the tax will apply only to that portion of the sales price representing the storage value of the spent oak barrel. The value representing the capacity of the barrel to impart an oak flavor to the wine is not subject to retail sales or use tax. Due to the difficulty and problems inherent in determining the taxable value of oak barrels, the Department will accept reporting measured by ten percent of the purchase price or value at the time of first use on oak barrels used to flavor wine. All other barrels used in the production of wine continue to be subject to retail sales or use tax measured by their full value